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ABSTRACT

Do state regulatory type agencies for higher education, either consolidated governing boards or coordinating boards, have measurable effects on institutional effectiveness or efficiency? To answer this question three types of information were examined: (1) opinions of the president or delegate representative; (2) data on actual costs that are a result of the institutions' membership in a coordinating or governing systems; and (3) the situation in large-scale systems as compared with a parallel study of business organization of multicompanies. It was found that the trend toward the establishment of coordinating boards or commissions of higher education appears to be halted, at least temporarily. At the same time, the 1202 Commissions have expanded the state definitions of postsecondary education and emphasized statewide planning for higher education. All these conflicting trends indicate clearly the need to develop well understood assignments of levels of decisionmaking and distribution of authority to the institutions and to each of the centralized regulatory agencies. In addition, institutions need to determine the essential local functions that are basic and needed at each institution. (Author/KE)

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INSTITUTIONAL EFFICIENCY IN STATE SYSTEMS OF PUBLIC HIGHER EDUCATION

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A Study Conducted by the Higher Education Program
College of Education, University of Arizona, for the
American Association of State Colleges and Universities

HIGHER EDUCATION PROGRAM
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The research reported herein was performed pursuant to a contract with the American Association of State Colleges and Universities. The investigator was encouraged to express freely professional judgments and findings of the study. Points of view stated do not, therefore, necessarily represent the position or policy of the American Association of State Colleges and Universities.

Report Series, 1975-76, No. 1

INSTITUTIONAL EFFICIENCY IN STATE SYSTEMS OF PUBLIC HIGHER EDUCATION

By
FRED F. HARCLEROAD

With the assistance of
George Lepchenske
and
Peter Wetterlind

Higher Education Program
College of Education
University of Arizona
Tucson, Arizona 85721

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INTRODUCTION

In this study the investigator has made a beginning attempt to determine whether state regulatory-type agencies for higher education, either consolidated governing boards or coordinating boards, have had measurable effects on institutional effectiveness or efficiency. The study was undertaken with limited resources knowing full well the difficulty of determining definite results. Robert Berdahl, in his massive four-year study of state coordination (1966-1970) for the American Council on Education, considered such a study but "decided that the effort was impractical" (Berdahl, p. 256). With the continuing expansion of controls in this area, the need has become insistent for factual information related to both the efficiency and effectiveness of institutions operating within the varying systems of governance and coordination.

Since its inception in 1961, the American Association of State Colleges and Universities has been concerned about this problem. Shortly before the Association was established the Committee on Government and Higher Education had published its extensive report on "The Campus and the State" and its briefer report, "The Efficiency of Freedom," which title emphasized the essence of the Committee's findings. Accordingly, the Association established a Study Committee on Centralized Controls in 1963, and considerable attention, including a series of brief national surveys, was given to this subject. In this analysis the Committee found the "heart of the problem" to lie in these principal areas: (1) budget preparation, in which they found that some budgets were revised without the President of the college even being consulted; (2) line-item budgets and other similar restrictions such as quarterly allotments and loss of balances unspent because of restrictions of central agencies; (3) limitations on the use of external income, both from federal or foundation grants and auxiliary enterprises; and (4) "interference" in personnel assignments and promotions. Four other important and irritating but somewhat less vital areas of interference were (5) purchasing, (6) physical plant, (7) printing, and (8) travel. The Committee found that relationships of institutions with their governing or coordinating boards, and with executive agencies of the state government, varied from quite satisfactory to those where the restrictions seemed "unjust, unwarranted and almost punitive" (Hyde, p. 21).

Coordination increased dramatically during the 1960's and the problems continued with the Association giving regular attention to them. This effort culminated in the Association's policy publication entitled "Institutional Rights and Responsibilities" in November, 1971. This document defined the levels of decision which would be desirable in nine different functions of Higher Education administration. The nine functions were: (1) System Organizational Structure, (2) Program Allocation, (3) Budget Development, (4) Fiscal Policies, (5) Program Content, (6) Personnel Selection, (7) Planning, (8) Evaluation-Accountability, (9) Capital Programs. In each of these nine areas the responsibility was stated for (1) state government, (2) the coordination body,

(3) the board of trustees (governance element), and (4) the higher education institution. This analysis is one major example of levels of decision making which was used by the 1973 report on this topic by a Task Force on Coordination, Governance and Structure of Post Secondary Education of the Education Commission of the States, entitled "Coordination or Chaos?"

The study reported here in this publication is a natural outgrowth of this 15-year concern of the Association regarding institutional operation within the increasingly complex regulatory systems which the various states have developed for higher education.

An attempt has been made to obtain data regarding the effects on institutional operation and autonomy, including an analysis of claimed efficiencies and possibly unrecognized inefficiencies of statewide system operations, whether by coordinating commissions or governing boards. The report is based on a review of the developing literature in the field and an extensive survey of member institutions of the Association. In the survey two types of items were secured. First, the opinions of the president or delegated representative provide informed answers which provide a factual base regarding informed opinion on critical questions in this area. Second, where possible, data were secured regarding actual costs, either savings or added costs which are the result of the institutions' membership in a coordinating or governing system. Third, the situation in such large-scale systems of higher education is compared with a parallel study of business organization of multicompanies and conglomerates.

Developments in State Coordination and Governance

Higher Education institutions supported by public tax funds always have been subject to some type of "coordination" or control. Sometimes, the coordination has been minimal, primarily for "constitutional" state universities or the few private universities which received large allotments of public funds during their earlier years. As the source of such funds, the state Legislature has always reviewed requests for funds, often made detailed investigations of operations of the institutions, and in many cases appropriated funds with "strings" attached to the appropriation bill. The development of the executive budget, a unified state budget prepared by the staff of the Governor and presented as a whole package to the Legislature, has made the executive staff a critical factor in the control patterns affecting higher education.

The regional state colleges and universities which make up the membership of the American Association of Colleges and Universities have been more centrally controlled and for a longer period of time than for most other institutions of higher education. Many of them were originally established as normal schools or teachers colleges and were a part of the operation of a state department of education or a large municipal school system. A number were

established before most of the state universities but none were included as separate constitutional entities until very recently. Normal schools had been established in 43 states by 1896, including 13 states before the Land Grant College Act of 1862 had been placed in effect. State departments of education were often controlled by an elected state official and fiscal control over their operations were often quite direct. The rigorous controls exerted by state departments of education over courses of study, attendance, fiscal affairs, building standards, and credentials were extended to normal schools and teachers colleges in the same way they were applied to elementary and secondary schools. This is a far different situation than the much looser control patterns exerted by governors and state legislators over statutorily established universities and their boards of regents or boards of trustees. And, of course, a few constitutionally established state universities fought for and have kept their operational autonomy even up to the present time. Community colleges, starting as junior colleges, were part of local public school districts but in many states escaped detailed state agency budget reviews and controls since a large part of their funding came from local taxation. Thus, until recent decades, the regional state colleges and universities have been subjected to greater state control than other types of public institutions. Those regional state colleges and universities which have been established in recent years in many cases have been a result of statewide planning and statewide coordination efforts - and the control systems which have affected these newer institutions have been a result of the very process which led to their beginning in the first place. Thus, the very mixed reactions to coordination which are evident in the survey results can be attributed at least partially to the differences in historical background of the varied institutions in the Association. Reactions to state controls are based on past experience and the normal administrative patterns which have come to be expected as a result.

Major problems have developed for all types of publicly supported institutions during the past two decades, primarily because the fantastic growth in higher education has made it an increasingly greater proportion of state budgets. Fifteen years ago the report of the Committee on Government and Higher Education forecast accurately as follows:

> "On the horizon of state administration today, there is a dawning recognition that while sprawling decentralization has been the problem of the past, excessive centralization will be the problem of the future." (Moos and Rourke, p. 69)

The rapid changes in higher education since that time, particularly explosive growth, have created imbalances and vacuums in the power structures in various states. Organic political institutions in a democratic society adjust rapidly and fill vacuums of responsibility, power or organization. As a consequence new regulatory bodies have been created very rapidly and/or officials of executive agencies of the Governor or of the increasingly restive legislatures have exercised

a variety of detailed and rigid controls or made restrictive categorical appropriations. As occupants of the state house have changed so have the functioning and influence of coordinating boards, state departments of administration or finance, or statewide governing boards. A few recent examples illustrate this point rather dramatically.

For example, in Florida the 1975-76 legislative appropriations act requires that the State University System of Florida must complete the developmental phase of a Common Course Numbering System during the budget year or the Department of Administration is required to hold back one-fifth of the funds which would be released during the fourth quarter for support of all of the institutions of the system. This is very strong legislative language and controls the operation of the Florida University System in a very detailed way. This same legislature came close to requiring a specified percentage cut in funds for administration in all of the universities. They were finally convinced to leave this task to the Board of Regents, with the requirement that a special report be made by March 1, 1976 of the procedures which will have taken place to reduce the amount of manpower devoted to academic administration.

Another specific example, from Michigan, indicates another method of centralized control and uniform reporting systems. Prior to 1965 the Auditor General was a statewide elected official. The new Michigan constitution in 1965 provided that the Auditor General would be appointed by the Legislature for an eight-year term, with reappointments possible if service was satisfactory. The staff of the Auditor General grew from 27 in 1965 to 144 in 1975. The University of Michigan is a constitutional university. Nevertheless, the Auditor General sent nine full-time auditors who spent a full academic year auditing the expenditures of the University of Michigan. All of the community colleges in Michigan are created by statute and can be required to provide uniform reporting of expenditures. The constitutional university is being pressed to do the same by various pressures, including the year-long audit.

A final example comes from Wisconsin and illustrates dramatically the impact of a Governor on the higher education community. Governor Patrick J. Lucey was instrumental in 1971 in the elimination of the Wisconsin Coordinating Committee for Higher Education which had been established in 1955. The Coordinating Committee was eliminated and the University of Wisconsin and the Wisconsin State Universities merged into the University of Wisconsin System. On January 8, 1975 Governor Lucey requested that the new Board of Regents develop and submit to him and the Legislature in a four-month period "a plan for phasing out, phasing down, or consolidating institutions and programs, including a statement of language to be inserted in the 1975-77 biennial budget which would authorize implementation of the plan" (President's Report in Response to the Governor's Request on Reducing the Scope of The University of Wisconsin System, p. viii). The limited time allowed for the study required

the mobilization of staff for this massive effort, to the exclusion of many other potential activities - and even required the writing of potential enabling legislation to eliminate parts of the University system.

These few examples can be replicated in a number of other states. There is a continual push for greater control by the Governor, the Legislature and Executive agencies. This has led a number of students of this field to emphasize that the alternative to regulatory coordinating agencies is to become part of the executive agency and to be treated basically in the same way as the Departments of Transportation, Natural Resources, Corrections, Mental Health, and similar agencies. Richard Millard has stated this succinctly as follows:

> "...to the extent that cooperation and coordination among institutions and state agencies have been less than effective for whatever reasons, legislatures, governors, and state budget officers have not been hesitant to see directly into institutional affairs - witness legislation respecting faculty work load, tenure, and transfer policies....They are likely to increase if institutional representatives refuse to make decisions complementary to and in cooperation with each other and with appropriate state higher or postsecondary educational agencies. The real danger is that responsibility for planning and coordination of postsecondary education will pass out of the hands of state agencies created for this purpose and move into the hands of general state planning agencies, for whom education does not constitute the first priority, or directly into executive and legislative control." (Hughes, p. 206)

An excellent example of the great increase in bureaucratic procedures in executive agencies can be found in a recent committee report on "Interagency Relationships with the State University of New York," which documents six basic housekeeping agencies and 12 other quasi-state agencies with control over institutional expenses or activities in some way. Within the executive budget there are some 50 agencies, most of which might have some effect on the institution at some time. The New York committee found that the relationships with the agencies, plus the central office of the State University of New York, definitely increased paper work and cost for the colleges. Although the actual costs are exceedingly difficult to isolate, they appear to be there. For example, in the area of vouchers, three state agencies plus the SUNY central office must agree before an order can be processed and a bill paid in New York. One college reported that a group of vouchers was rejected because the supporting documents were folded improperly. Incidents of this type and others which are similar must affect costs significantly.

The trend since 1960, and particularly since 1969, has been toward more state coordination, in many cases with a substantial increase in the power of the

coordinating agency to directly control individual institutions. The Education Commission of the States conducted a survey of the structure of state coordinating or governing boards and institutional and local campus governing boards as of January 1, 1975. In summarizing this it is clear that some critical trends are beginning to develop. One change is the development of the "Secretary of Education." There are four of them now and a number of states are considering the office. This has long-term significance for the operation of institutions because it is a completely different concept in administering education in the states. The Secretary of Education takes education as a whole from being a fourth branch of the government and makes it part of the executive branch of the government. In addition, there are now at least eight and possibly nine states in which the person in charge of higher education serves in the cabinet of the governor. Even though there is no secretary of education, serving in the governor's cabinet makes education just another cabinet agency. In addition, it is also extremely significant that since 1965 there have been changes in coordination or governance in 36 of the states, all of them leading toward more central control over the institutions and their operations (Berve, 1975).

At the same time, a few significant forces are stressing the need for recognition of institutional responsibility for operational affairs and for institutional participation in policy development by appropriate coordinating commissions or boards of higher education. In Kansas the Master Planning Commission recommended some form of "state authority," a coordinative system of postsecondary education, but it also stated:

> "...while the state has a clear and definite responsibility for overall coordination and management, the state control should not extend into the individual institutions. Rather, each institution should be independent while operating within the dimensions of overall state plans, coordination and fiscal management." (Postsecondary Educational Planning to 1985: Final Report and Recommendations, Kansas, 1972, p. 37)

Even more recently in the report of the Maryland Commission on the Structure and Governance of Education, significant statements in this regard were presented and published from three of the participating Commission members. The Honorable Lucille Maurer, a nationally distinguished state legislator, wrote that one of the most fundamental improvements needed in Maryland in the next few years is:

> "...the development of a State Board for Higher Education, which is a coordinating rather than a governing board, to provide a strong voice for all of postsecondary education to deal with the executive and legislative branches of State government." (Final Report of the Governor's Commission, p. 38)

Supplementing Mrs. Maurer's statement is an additional statement from two other Commission members, Mrs. Phyllis Reed and John J. Lancaster, stressing that in the public hearings of the Commission, the public had:

> "...expressed a need for improving the management of State Colleges by establishing financial autonomy and granting the responsible boards and staff the authority necessary to carry out the educational goals for which they are responsible." (Final Report of the Governor's Commission, p. 39)

In addition to such expressions by responsible state commissions and commission members, two of the most important recent national studies, by the Carnegie Commission on Higher Education and the Education Commission of the States, have strongly supported the need for individual institutions to have independence in the operating area and active participation in policy development by coordinating agencies or statewide governing boards. These recommendations have been coupled, simultaneously, with freedom from executive and legislative direct controls. In its final report after a six-year study the Carnegie Commission wrote:

> "Our greatest single concern at the present time, however, is that in some states 'superboards' and legislators and governors are now exercising too much detailed policy and administrative control over institutions of higher education and unduly infringing upon their essential independence, are neglecting higher education too much financially, and controlling it too much administratively." (Priorities for Action, 1973, p. 59)

In an earlier volume published by the Commission, it had recognized some necessary state limits on the autonomy of institutions while at the same time stressing the need for preserving institutional independence in three major areas: "(1) the intellectual, through the protection of academic freedom of expression and of free choice and conduct of research projects by faculty members and students; (2) the academic, through the acceptance of decision making by academic authorities in specified academic areas such as conduct of courses; and (3) the administrative, through allowing substantial leeway in handling financial and personnel matters in detail" (Governance of Higher Education: Six Priority Problems, p. 17). The Education Commission of the States essentially echoed these concerns and expressed similar reservations regarding the developing federal pattern of pressure on both institutions and the states. It recommended that the Federal Congress and Executive constantly respect the unique administrative systems of the various states and continue to respect the states' primary responsibility for the development of policy and the operation of their differing institutions (Coordination or Chaos?, p. 96).

Levels of Authority

Both the Education Commission of the States and the Carnegie Commission have placed emphasis on careful delineation of levels of authority and decision making and the assignment of decision making as close to operational levels as possible. The Education Commission of the States included the suggested "Levels of Decision for Higher Education Functions" of the American Association of State Colleges and Universities as a major resource in this specific area. The Carnegie Commission went even further and provided very specific statements on the distribution of authority and institutional independence in the areas of governance, financial and business affairs, and academic and intellectual affairs (Governance, pp. 25-27).

The determination of the "essential ingredients of autonomy" has been going on for a much longer period in Great Britain than in the United States. Berdahl has studied the British system intensively for many years and has determined that "a national 'system' of higher education has been slowly evolving since 1919 when the government set up a coordinating agency, the University Grants Committee...."It has found that the essential ingredients in which the University must retain control are:

"1) the appointment, promotion, and tenure of academic and administrative staff;
2) selection of students;
3) curriculum content and degree standards;
4) the balance between teaching and research (and, in the U.S., one would add public service); and
5) allocation of income among different categories of expenditure." (Berdahl, pp. 253-254)

One of Berdahl's doctoral students, Marco Silvestri, has studied the perceptions of a mixed group of experts from the (1) state government, (2) coordinating agencies, and (3) higher education institutions of the United States to try to determine those areas where there is agreement or clear disagreement on levels of decision making. Taking a number of specific activities, he had them classified by these experts. They designated which of the three groups should be (1) dominant in an activity, (2) only a participant, or (3) excluded from the decision making process. As would be expected there are many areas of overlap and disagreement. Briefly summarized, he found that institutional autonomy was supported, generally, by all three groups in such items as selecting the president of the institution, hiring specific professors, requiring specific courses for graduation, and developing policies for student conduct. He found that there was general agreement on joint decision in the development of academic calendars, admission standards, and "average" teaching loads, providing the coordinating agency established general guidelines and the

institution established specifics. Not surprisingly, he found that state government officials would push to cut out exclusive institutional control of funds by requiring line-item budget allocations, limitation on transfer of funds between categories, central agency determination of senior admin strative salaries, the choosing of architects and contractors and some state control over the use of nonstate funds, either gifts or overhead. In these areas, of course, there was institutional disagreement about this method of state government operation. In a number of areas which were central state government concerns, and where there was a strong institutional drive for exclusive control, there will undoubtedly be continuing problems. Such areas include the development of capital outlay priorities, faculty salary scales, enrollment ceilings, adding or cutting out degree programs, auditing procedures particularly those assessing academic judgment, and arbitrary substitutions of items to be purchased both for instructional and specialized research purposes. Silvestri concluded that "a coordinating board that has established a position of trust...will be able to discourage arbitrary and unwarranted state government interferences...while at the same time gaining greater institu ional understanding of the systemwide requirements" (Silvestri, pp. 137-147).

Obviously, institutions and coordinating boards must be staffed by key administrators who are skilled in work with other professional persons, who preserve the values of coordination through democratic group processes and cooperative endeavors, and who understand that coordination by professional educators is in the long run preferable to executive control by officials (often minor and with little understanding of higher education).

Current Status of Centralization for AASCU Institutions

The American Association of State Colleges and Universities included 317 institutions in 1975 and almost 200 of them provided answers to an extensive questionnaire in the 1974-75 academic year. Usable replies were received in time for tabulation from 187 institutions, with enough regional distribution of the responses to make the survey quite representative. The data were compiled by census districts to determine whether trends which appeared to be national in scope on the basis of total data might in actuality be essentially regional. In a few cases significant regional differences were clearly established.

The major areas of analysis were nine in number, relating to the following major areas: (1) type and classification of the organizational pattern; (2) relationships with executive offices; (3) long-range planning; (4) academic affairs and programs; (5) budget development; (6) fiscal policies and implementation; (7) personnel policies and their implementation; (8) capital outlay and construction; and (9) selection of administrative personnel. Very specific opinions were requested on these various points. Also, case examples were requested

which would illustrate increased or decreased efficiency in the management of the institution as a result of controls imposed by state agencies, legislatures, state coordinating bodies or statewide governing bodies. In the latter category, 16 suggested areas were suggested for possible case examples but only limited and scattered replies were received. They are descriptive but, unfortunately, were not received from enough institutions to provide definitive, cost-based evidence of increased or decreased efficiency. The trend of the case examples points toward increased costs and inefficiency in such areas as purchasing, personnel and construction. However, a number of general statements of satisfaction were received and make generalizations impossible. For example, a Dean of Administration from a middle-sized eastern institution indicated that "in ———— state, coordination has remained fairly constant over the last half dozen years. Therefore, I do not believe we can attribute any cost changes to the changing role of state coordination."

These findings appear somewhat changed however from the pattern reported in the 1963-64 studies of the AASCU Committee on Centralized Controls. At that time 62 institutions evaluated their situation with regard to their central agencies (state departments of education, coordinating commissions, statewide governing boards or voluntary coordination) in three categories: "good arrangements in general," "some problems," or "difficult problems." Thirty-two institutions reported "good arrangements," 21 institutions reported "some problems," and only nine reported "difficult problems." At the time the most difficult problems were reported in Pennsylvania, Connecticut, Maine, and Minnesota. The present study is much larger, encompassing more than three times as many institutions and it would appear "difficult problems" are more widespread in 1975 than a decade ago.

Type and classification of the organizational patterns. Only 7.4 per cent of the respondents classified their state coordinating body or governing body as a "weak" one with limited powers and 55 per cent indicated a strong coordinating body or a governing body with regulatory power over the institution. Functioning powers of the central body, either coordinating or governing, have been increased substantially since 1969 in almost one-half of the institutions. Only one of the more populous states, Michigan, indicated only limited change in centralization of power since 1969 while several states including California, Louisiana, Minnesota, Mississippi, Missouri, and North Carolina were specifically named as states where definite changes had taken place.

Relationships with executive offices. Almost two-thirds of the responses indicated changes since 1969 in the functioning of the executive offices of state government which had an effect on the administrative procedures in the institutions. In 35 per cent of the cases this was very definitely true and

obviously significant. In more than 30 per cent of the institutions it was true but to a more limited extent. Coming simultaneously with increasing centralized powers of a coordinative or governing educational body this indicates a significant trend toward more centralized controls.

Long-range planning. A major responsibility for statewide coordinating bodies, stressed by Lyman Glenny, Robert Berdahl, Richard Millard, and other recognized scholars in this area, is the development of master plans for states, institutions, and in some cases regions. Respondents were requested to indicate whether there has been improvement in the past three to five years in the **process** of long-range planning and whether statewide and institutional master plans have been improved materially as a result. The results show an interesting contrast. With regard to improvement of the process, 16 per cent indicated "yes, definitely," and slightly more than 40 per cent "yes, to a limited extent." The positive response in this area was particularly strong in the South Atlantic region where 40 of the surveyed institutions thought the process was definitely improved. At the same time a slightly smaller proportion thought the master plans had been improved. However, more than half of the surveyed institutions in the West North Central, Mountain and Pacific census regions indicated that there had been no improvement in the master plans of the state or the institution. These data regarding planning illustrate one of the general findings of the study: the differentiation between the 50 states is very marked.

Growth rates of institutions and enrollment ceilings are often considered a basic part of long-range planning. In the survey the questions regarding growth rate policies were separated from the long-range planning section, with very interesting results. More than half of the institutions indicated they established growth rates for each of their subdivisions, including branch campuses. In addition, more than 40 per cent of the institutions indicated that they established their own policies pertaining to growth and rate of growth of the campus or its subdivisions. In this major aspect of planning a very significant number of the institutions feel that they have the responsibility to determine a key factor on the local campus.

Academic affairs and programs. In this area responses were received in connection with **admissions and academic standards**, academic programs and research. Almost 60 per cent of the institutions report that they formulate student admission policy directly, with only nine per cent formulated by the state coordinating body. In the remaining institutions, policy is established by the state coordinating body based on advice and recommendations from the institutions. The formulation of policies regarding standards for the granting of degrees and the retention of students is done by the institutions in three-fourths of the cases. Thus, even though coordinating bodies and statewide governing boards set some policies of this type, institutions still indicate that they have the primary responsibility in this area.

Academic programs, on the other hand, are treated in exactly opposite fashion. Only seven per cent of the institutions inaugurate academic programs, including specific courses, without external control and approval. In 70 per cent of the cases the institutions can make changes in specific courses but academic programs are affected or finally approved by the statewide coordinating body. In one-eighth of the institutions both the programs and specific courses must have the approval of the statewide coordinating body. With regard to the emphasis and **selection of research topics**, the statewide coordinating body has no effect reported from any institution. In one-third of the institutions it is left completely to the discretion of individual faculty members. In approximately half of the institutions there is institutional review and approval and in the small remaining group of institutions there is some emphasis on institutionally established research priorities.

Budget development and implementation. In this area, variation between institutions is quite extreme. In Michigan all institutions were reported to be functioning autonomously. In such states as South Carolina and Ohio limited budgetary controls are exercised by the coordinating board. In states such as Georgia and North Carolina the final budget for all institutions is prepared by the staff of the statewide governing board. In 15 per cent of the institutions, fund allocation procedure is strictly a function of the individual institution. At the other extreme, ten per cent of the institutions are expected to operate within detailed, line-item budgets. Most of the other institutions reported flexibility within the institution in the allocation of funds. With regard to preaudit of funds by an executive agency, almost half of the institutions, 47 per cent, indicated that no preaudit is performed. In 30 per cent of the institutions, a preaudit is performed for the entire budget and in the remainder of the institutions only for certain budget categories. This appears to be particularly onerous in the mid-Atlantic states and in the Pacific states. Coordinating bodies also preaudit approved budgeted funds in more than half of the cases. Although these preaudits, when carried out, are normally similar for all state institutions, 20 different institutions indicated that there is some selectivity and differing procedure for different institutions.

A basic part of budget development is the establishment of policy regarding tuition and fees, plus provision for financial aids to students. Only 28 per cent of the institutions establish their own tuition and fee schedule. A number of institutions did not respond to this question but well over half of the total still have their tuition, fees, and financial aid for students established by the statewide coordinating body.

Fiscal policies and implementation. Evaluation of institutional resource allocations is normally internal, with the legislature and/or the coordinating body carrying on this activity for approximately one-fourth of the institutions. Standards used in evaluating an institution's resource allocation and utilization,

on the other hand, are established internally by only 20 per cent of the institutions. Thus, policy standards have been established primarily by central governmental bodies but the operation of the policies appears to be carried out by the institution.

Major important changes in this area have been reported in North Carolina and in Florida. In North Carolina direct appropriations are made to the 16 campuses for continuation of ongoing activities. Appropriations for all other purposes are made by the legislature to the Board of Governors in a lump sum and then reallocated to the institutions for such items as salary increases, enrollment growth, or capital improvements. In Florida the 1975-76 legislative appropriations act authorized lump sum budgets for all budgetary units in the State University System. Administrative officials of the institutions reported that this greater flexibility would enable them to manage and use their resources much more efficiently.

Purchasing systems and policies are a major concern of long standing and the findings in this survey indicate continued difficulties. Fortunately, only 12 per cent or one-eighth of the institutions reported that all purchasing (except emergencies) is done through central purchasing. Twenty-two per cent of the institutions report no central purchasing and an additional 20 per cent report that central purchasing is optional, at the discretion of the institution, when state contracts will actually affect savings.

In this area a number of institutions have made studies which indicate that cost-savings can be made and efficiency improved by local purchasing. For example, California State University at Long Beach reported a 1971 study which indicated a savings of $25,000 annually if binding of books and magazines could be done locally rather than through state contracts or state printing. In a southern state, one institution found that it could purchase cars locally at a lower cost than through the state contract and at the same time save the travel cost required for two persons to pick up the car at a central location. This same institution reported that insurance for automobiles could be purchased cheaper and with less work through local agencies. A New England state reported that central purchasing saved them funds on the purchase of cars, gasoline, oil, and paper. In a middle Atlantic state and a midwestern state, no automobile purchases were allowed with air conditioners, and in the middle Atlantic state, when the cars arrived with air conditioners it cost an additional $78 per car to take them out. In another New England state an institution was forced to buy fuel oil at higher state contract prices when it could have saved money locally.

State purchasing often leads to time delays and to poor maintenance and upkeep service even though the price of the original item may be slightly lower. Unless bid specifications are carefully written by purchasing agents, whether local or in central offices, inadequate substitutions may take place. Poor quality

carbon paper will not last as long and has to be replaced after many fewer uses than top grade carbon paper. A number of institutions indicated that considerable savings could be made by local purchasing of such items as carbon paper, light bulbs, and some types of paper goods. In some cases a group of institutions in a given city have formed a local consortium for cooperative purchasing which is as effective or more effective than statewide purchasing. Prices are quite comparable and follow-up service is quite often superior, thus improving efficiency materially.

In the **printing and binding** area, one-third of the institutions have autonomy in purchasing printing, and another one-sixth can choose between state and local printers. One college reported that small printing jobs are done on campus in a state-operated printing department. Larger jobs go through the state department of purchasing and are handled efficiently in a cooperative manner and at a savings. Having the campus printing shop designated as a state printing agency is an interesting idea, and it may circumvent problems which occur regularly in some states.

Problems with **formula budgeting** also were documented by several institutions. A basic problem in formula budgeting is that often formulas are not elastic enough and do not change to meet present day needs. Budget formulas can be set to accommodate different kinds of groups or different needs. But that is a question of where you start and how well you build the budget beyond where you started. Leave enough flex in it so that the institution can make the adjustments; otherwise, formula budgeting can be a very difficult problem.

One southern university cited six major problems. For example, it has many older building with higher maintenance costs than the formulas will cover. The unit costs were more for universities which were in the smaller category size. The use of trend lines in the formulas is a problem because it is very hard to adjust a formula when the trend is reversed. This is becoming evident as student populations become static or go down. Temporary or permanent changes in trend lines are a serious problem when not taken into account. Central staffs often give very limited time for review of recommendations or proposed decisions based on the formula budget. In one instance that was cited, the institution received the recommended budget late Friday afternoon and was to respond early Monday morning. This seems to be fairly typical, because the central office has limited staff in many cases and is rushed to meet deadlines of executive budget agencies. They get it late and they get it to the institution with barely enough time to make agency or legislative deadlines. A number of respondents suggested the existence of this problem.

Personnel policies and their implementation. Another continuing area of concern in many institutions has been the area of personnel. However, 51 per cent of the institutions report that there are no personnel controls exerted by

their coordinating body and seven per cent that there is partial control of nonacademic staff only. On the other hand, more than 55 per cent of the surveyed institutions report that state executive offices do impose severe controls on personnel activities. With regard to salaries, the coordinating body normally either has no policy or has a very general salary policy which is left to the discretion of the individual institution. This is true for almost three-fourths of the reporting institutions. Personnel policies for selection, promotion, and tenure of faculty are established by the legislature in only seven per cent of the cases, by the coordinating board in 29 per cent, and in the remainder by the individual institution. In this area of operation, individual institutions operate quite autonomously, even in the establishment of the overall policies to be followed. In the Moos and Rourke study 15 years ago some of the major universities were excluded from personnel controls by the state government agencies when AASCU-type institutions were controlled. This is still true in some states and is particularly evident in the middle Atlantic region.

A number of examples were received of personnel procedures which lead to inefficiency and additional costs. For example, in Montana the new statewide classification and pay plan created difficulties because of the great distances involved. Decisions were much slower and took considerably more effort. In Florida legislative appropriations until recently were in categories for (1) faculty, (2) career service, and (3) administrative and staff members. Neither the Board of Regents nor the individual universities had any discretion to change the mix of personnel needs by moving funds between these categories. This "inefficiency" - which is a characteristic of a number of states - has now been corrected in Florida by the establishment of the lump sum budget system previously described. An illustration from a western state provided specific costs which were identifiable because of increased coordination. Approximately $8,000 per year was required because of the establishment of a new higher education personnel board. In addition, an additional staff member was required to work with civil service rules and regulations. The respondent indicated in addition that in this institution "there has been a less well definable impact in terms of staff positions added throughout the campus. These have come on slowly and often have a portion of their time consumed by duties not directly attributable to state coordination." Similar experiences are reported by a midwest institution where the payroll checks were transferred to the state controller's office in the Capitol Building for disbursement. Extra documentation (and costs) are now required from the local institution. Additional travel costs are required amounting to more than $2,500 just to pick up the checks and be sure they are available on time. The respondent from this institution indicated that "centralization is costing us money, particularly in time and travel costs." For those institutions which do not have freedom from executive office personnel controls, this is a general feeling which seems to be fairly well documented. Some institutions report extreme control by civil service commissions, state personnel boards, and, in a few states, such as New York, the Office

of Employee Relations and the Public Employment Relations Boards, and in Pennsylvania, the various executive offices for collective bargaining.

Capital outlay and construction. A number of questions were posed in this area. Regarding the **selection of architects,** it appears to be evenly divided between the executive offices and other units, either the institution or the coordinating board, with 53 per cent reporting selection by an executive office. In particular census regions, notably the south Atlantic, West South Central, West North Central, and the Pacific, there does appear to be a considerable degree of institutional self-determination in architect selection.

Two-thirds of the responding institutions reported that planning and **construction of buildings** is directly approved by the executive offices of the state government. Only two per cent reported that the coordinating body owns the buildings of the institution. Seven per cent report that the coordinating body does the planning and construction of the buildings. More than half of the institutions report that the coordinating body is involved in approving plans and determining building needs but one-fourth of the institutions carry on the planning and construction of the buildings. Capital expenditures in two out of five institutions are directly approved by the executive offices of the state government. There is considerable variation between regions in the **purchase of major equipment** with the middle Atlantic states providing the least autonomy to the institutions involved. In the purchase of minor equipment items, the reverse is true and almost 80 per cent indicated that executive offices are not involved. In addition, 88 per cent reported that there is little or no input from their coordinating body in minor equipment purchases. This finding is at variance with other purchasing policies reported and indicates a possible trend toward institutional effectiveness in purchases of this type.

In the construction of facilities there are some limited but significant data on costs effectiveness of varying systems. In New Jersey a very thorough study conducted for the Department of Higher Education provided extensive cost data indicating that the State Division of Building and Construction costs for student residence halls were estimated in 1970 to be between $9,000 and $13,000 per bed. The Educational Facilities Authority estimates, including site costs which were quite large at a few locations, would lead to costs considerably lower, $3,250 to $8,500 per bed. In Florida the recent Governor's Management and Efficiency Study Commission estimated that the Board of Regents, if given the authority to contract for building construction and architectural engineering, would "result in a savings of $4.6 million for the State University System. The Commission further recommended assigning management responsibility for construction projects to each of the universities to eliminate the duplication of costly professional engineering and architectural management now occurring between the Department of General Services and the several universities."

Massive savings of this order pinpoint the need for consideration of change in procedures in many states in the construction and architectural field.

Selection of administrative personnel. Only one per cent of the surveyed institutions indicated that the statewide coordinating body selects the academic and administrative leadership for the institution. The overwhelming evidence points to this critical variable as an institutional responsibility, solely in two-thirds of the institutions, and in the remainder by the coordinating body based on recommendations from the institutions.

Summary and Recommendations

Publically-supported institutions of higher education have come under continually more and more scrutiny and centralized controls as they have become a larger and larger portion of state budgets. New regulatory type agencies in the form of coordinating boards have been devised which serve as a buffer between the state government and the institutions. At the same time, a number of states have maintained their systems of state governing boards (such as Georgia) and the executive agencies of the Governor's office have continued close control on some expenditure programs, particularly for the regional state colleges and universities. Community colleges, based originally on secondary school local district financing in many states, have been much more flexible and free of state controls until recent years. Constitutional universities, in particular, and many statutory state universities, likewise, have been more free from rigorous state agency controls. With the development of super-boards and state community college systems, general centralized controls over all types of higher education institutions have grown during the past 15 years. However, it must be stressed that great variations exist between states and this current survey of the regional state colleges and universities provides detailed evidence to support this generalization.

The trend toward the establishment of coordinating boards or commissions of higher education which began in 1941 and extended for almost thirty years appears to be halted, at least temporarily. Currently, states such as North Carolina, Utah, Maine, and Wisconsin have moved away from coordination toward statewide governing boards. In addition, a number of states have established a Secretary of Education (Massachusetts, South Dakota, Pennsylvania, and Virginia) and a number of others are considering such a cabinet office. At the same time, the so-called 1202 Commissions, based on the federal passage of the Educational Amendments of 1972, have expanded the state definitions of postsecondary education and emphasized statewide planning for higher education.

At the present time all of these conflicting, and basically centralizing, trends indicate clearly the need to develop well understood assignments of

"levels of decision making" and statements of "distribution of authority" to the institutions and to each of the centralizing, regulatory agencies. Unless this is done methodically, with educators from the institutions and the coordinating agencies working closely together, the increasing control of executive agencies and the Governor's Cabinet will remove educational decisions farther and farther from an educational base. Many decisions in higher education have been made on a political base in the past. Educators must work together or more and more detailed decisions may well move to the Governor's executive agencies. Both the Carnegie Commission on Higher Education and the American Association of State Colleges and Universities have made important beginning analyses of levels of decision and distribution of authority which can serve as a basis for educational agreement (see appendices for copies of these recommendations).

In addition, institutions need to determine the essential local functions which are basic and needed at each institution. After more than 60 years of coordination of higher education in Great Britain, five critical ingredients of institutional autonomy and effectiveness stand out as follows: control over "(1) the appointment, promotion, and tenure of academic and administrative staff; (2) selection of students; (3) curriculum content and degree standards; (4) the balance between teaching and research (and, in the U.S., one would add public service); and (5) allocation of income among different categories of expenditure" (Berdahl, pp. 253-254). Particular institutions in specific states may wish to adapt such a list by adding additional items of particular concern or specifying details within the broad areas.

RECOMMENDATION:

In each state, educators from institutions and from central agencies must agree on the distribution of authority and levels of decision making for the institution, the governing board, the coordinating element in those states where it exists, and the state government agencies involved. In the process, the current decision making power should be clearly determined (i.e., what signature finally approves expenditures) as well as the method by which the state interest in proper use of funds will be protected, preferably by a postaudit. Constitutional and statutory provisions should be checked carefully. If none exist, after careful study and delineation it may be desirable to establish appropriate limits by statutory action.

During the past half century large and successful multicompanies have tried many types of organizational patterns. They have found that decentralized autonomy is essential to effective operation. Central offices are responsible for overall corporate policy and long-range master planning, large capital costs, fiscal controls and postauditing, and evaluation of the achievement of objectives by each of its companies. Executive structures are streamlined to facilitate

communication and decision making on important policy issues. Operating decision making is placed at the company or division level which is comparable to a college in a statewide governing system. Comparably-sized multicompanies with decentralized organization of this type are often far more successful than highly centralized ones. (For example, Interco and Genesco or Safeway Stores and Great Atlantic and Pacific Tea Co., where Interco and Safeway both credit their great success "to decentralized operations with strong local autonomy.") A characteristic of the successful multicompanies is their small central office staff. This saves money, facilitates communication between key members of the staff involved in major policy decisions, and forces the central staff to concentrate on policy and evaluation of results. (For example, Interco, a multicompany with more than one billion dollars income per year, has a central staff of 40.)

RECOMMENDATION:

Plans for organization of statewide governing systems, coordination systems and relationships with state government agencies should adapt successful business organization practices which are compatible with educational objectives of higher education institutions. Decentralized modes of operation appear to be quite compatible with academic forms and practices. Properly adapted, they could provide for efficient and effective operation, improve morale at both the campus and central agency, and restore confidence of the public and legislators in the operation of higher education.

Planning, both long-range and short-term, and the development of state and institutional master plans are of first importance for state government agencies and a major responsibility of all coordinating or governing boards and commissions. Survey responses from the almost two hundred institutions indicated that the **process** of long-range planning has shown definite improvement during the period since 1969. Although the same is true for the statewide and institutional plans in most of the United States, more than half of the respondents from the West North Central, Mountain and Pacific census regions indicated there had been no improvement in the plans themselves in this period.

Academic programs and their continual change and development are most critical to the effectiveness of any institution of higher education - and they are basic to all planning whether long or short term. Respondents indicated, as a key part of the study, that problems exist in this area. One-eighth of the institutions reported that they cannot make changes even in the courses taught on the campus without central office approval. Only seven per cent can make program changes without external approval. Research topics, on the other hand, are subject to local, usually professorial, determination in almost every institution. Of course, there is institutional review in many institutions to be certain that research standards and appropriate space use are maintained. This is a good

example of successful operation of local autonomy in a crucial area.

RECOMMENDATION:

Coordinating and central governing boards should continue to stress their planning functions. In those regions where master planning has been given less attention, perhaps because of developing attention of staff to operational institutional matters, renewed attention should be given to the overall planning responsibilities. In addition, those central bodies which review every course addition and revision should do everything possible to rid themselves of this work. Curriculum must change with the needs of society and the expansion of knowledge. This can be done effectively only at the institutional level and by the experts in each field. Program planning should be carried on as a shared institutional-central office responsibility and made an integral, ongoing part of a dynamic planning process.

Budget making and implementation responses to the survey indicated great variance in the various sections of the country. A number of states operate very successfully with lump sum budgets and postauditing systems. At the other extreme, many respondents paint a picture of great inefficiency through oppressive control systems that require exorbitant amounts of paper work, excessive time delays, and line-item budgets which do not allow any flexibility to meet changing needs. When budgets are made 15-24 months in advance on the basis of fairly rigid formula budgeting and are not adjusted regularly on the basis of changed conditions, proper management is difficult and sometimes almost impossible. Small but important items become critical issues that take hours, days or weeks. Rather, they should be solved in much shorter times and at much less actual expense. Some states restrict local emergency purchases by campus officials to $10 while others set such a figure at several thousand dollars. Studies have shown that purchase orders in excess of $500 are 20 per cent of the orders and account for 75 per cent of the funds expended. Since this was the figure a few years ago it may be a larger dollar total in 1975. An enormous amount of processing time can be saved by local purchasing of all but large items. A postaudit system, with reporting in arrears by the college to the central office on a quarterly basis, will provide an efficient accountability system. Preaudits are reported by more than one-half of the institutions. Thirty per cent of the institutions are subjected to a complete preaudit and an additional 23 per cent to a partial preaudit, even though the budget has been approved at the presentation stage by the same agency and often by the same budget analysts. If they have changed their minds about previously approved items or if they disapprove of items which have been added by the legislature or governor, they can, and do, hold them up or even refuse to permit the expenditures. In states without a preaudit system the institutions are reported to be much more efficient in their operations, and knowing the expenditure boundaries for the next year's planning makes them much more effective.

State purchasing systems and policies also vary greatly from state to state. More than one-fifth (actually 22 per cent) of the institutions report that they do all of their own purchasing, and an additional 20 per cent report that use of state purchasing is optional, at the discretion of the institution when state purchasing will provide real savings. At the other extreme, one-eighth of the institutions still are required to make all purchasing through centralized state purchasing.

RECOMMENDATION:

For most efficiency and effectiveness institutional and system budgets should be fully justified during the budget-making process, approved by the legislature and governor on a lump sum basis with flexibility to expend funds to meet changing needs, with adjustments reported quarterly, and postaudited for financial accuracy by the appropriate state auditing agency. Purchasing should be carried on by each institution to obtain necessary operating supplies and equipment. If a state purchasing office can provide the necessary quality of materials, plus satisfactory delivery, service and maintenance, the institution should be able to choose that source to serve as vendor for the particular items. State regulations should not require participation in contracts which have higher total costs than the individual institutions can secure.

Personnel policies and their implementation, likewise, vary widely throughout the country. More than one-half of the institutions report that the coordinating board or commission exerts no control over personnel and in seven per cent of the others it affects only nonacademic staff. However, 55 per cent of the institutions report controls, often very severe, by executive agencies. In some cases multiple agencies, departments of administration, finance, employee relations and personnel standards, are involved in the appointment or reclassification process. Months and even years are sometimes involved in very minor changes in classification. New appointees in a number of cases are reported to go unpaid, sometimes for several months, and have to borrow money because of the excessive red tape involved. Centralized state payrolls also increase costs to each institution and further complicate the entire personnel policy system in those states which use it. Personnel processing problems appear to be a major cause of employee dissatisfaction and poor morale in many institutions.

RECOMMENDATION:

Personnel policies should be established and operated to expedite appointments and adjustments which are appropriate to the function and budget of the institution. Changes in personnel which are within budget limits should be finalized on each separate campus. Quarterly reports of personnel transactions, and the yearly postaudit, should provide adequate safeguards to insure proper use of public funds.

Major expenditures for capital construction and for equipment require special treatment in the great majority of the states. Large capital projects in many cases are distributed to various regions of states for political or social (employment) reasons. Nevertheless, capital building for higher education institutions normally is based on demonstrated need at the institution for the facilities and should be expedited as quickly and at as low a cost as is possible to provide them. Two-thirds of the respondents to the survey indicate that the executive offices of the state government direct and finally approve the planning and construction of buildings. In more than one-half of the institutions the coordinating board or commission also is involved. Large expenditures for capital equipment are treated basically in the same ways. Since building costs have been rising rapidly each month for many years, ensuing delays often lead to higher costs of particular buildings. This in turn leads to their being scaled down from originally approved scope and the process may be repeated.

Some states have analyzed this process and determined ways to save money while speeding up the process. Most recently, in Florida, the Governor's Management and Efficiency Study Commission determined that if the Board of Regents were given the authority to contract for building construction and architectural engineering, it would "result in a savings of $4,600,000 for the State University System." This type of finding has support from other states.

RECOMMENDATION:

Building construction and capital equipment projects should be expedited in every way possible to speed up the process and save on project costs. The institutional officials should be involved in the planning of the buildings, selection of architects, and any adjustments that have to be made. Each state should carefully review the processes involved, and the results, to be certain that optimum results are being obtained for these large expenditures of tax funds.

The response to this study indicates that one of the keys to efficiency and effectiveness in public higher education is the establishing of a proper balance between centralization and decentralization, determining which functions should be placed in the colleges and universities and which at the system or state agency level. Clearly, the closer the decision making can be to the actual operational level within the institution the better the service will be to the students and, ultimately, to the states which provide these institutions of higher learning.

Business Decentralization and State Systems

A current study of organizational patterns in successful multicompanies and conglomerates provides useful information to consider in the analysis of

state systems of coordination and governance. This information also relates directly to state systems of control through executive agencies. Although educational and business organizations are considered by many to be quite different from higher education institutions in purpose, and therefore in organization and operation, a number of similarities have developed in recent years. Developing, complex state systems and large, sophisticated organizational systems of multicompanies have many common organizational problems. Human factors are critical in all of them and organizational patterns which improve morale and contribute to efficiency lead to effectiveness in meeting their differing goals. Since these large-scale business organizations have tested various forms of internal organization over many decades, the advantages and disadvantages proven over the years can provide valuable insights which can prove valuable to planners in state systems of institutions of higher education. These comparisons may be helpful also to legislators, governors and other state government executives in making ultimate decisions regarding the best manner in which to improve the systems in their individual state. As Glenny and his fellow authors stated, it is "...ironic that the higher education community that slavishly copied models of industrial corporation governance and control in the past should ignore current corporate patterns of decentralization...." (Glenny, Berdahl, Palola and Paltridge, p. 3).

The decentralized model goes back to the 1920's and has been proven by a large part of American industry. It is based on coordination of policy and decentralization of administration. Successful business, and its efficiency and effectiveness, has been measured easily by determining its profitability. Many examples are available of decentralized companies which have been highly successful in great contrast with centralized competitors. Interco has an income of more than a billion dollars annually and has been highly successful, in contrast to Genesco which is about the same size. Interco is a decentralized multicompany with operational controls left at the company level rather than at the central headquarters. Genesco is just the opposite and has had losses for several years. In the most recent fully reported year, Interco had a profit of approximately fifty million dollars and Genesco lost almost that same amount. Safeway Stores and A & P offer another striking comparison. Both have yearly incomes in the eight and nine billion dollar range, but Safeway is decentralized and A & P has not been decentralized in recent years. Safeway had a fifty million dollar profit in 1973 when A & P lost money and was described as "close to being a corporate disaster." Colleges and universities are service-type organizations and are not subject to evaluation by the market on the basis of earned profits. They are subject to the market on the basis of student enrollments or research projects granted to them, even though this is quite different from the business corporation. Nevertheless, some of the characteristics of successful decentralized business may be quite useful in organizing service institutions, such as colleges, universities, libraries and hospitals.

All of the successful decentralized multicompanies are quite comparable in their methods of operation. First, they operate with small central office staffs. Interco has only 40 employees on its total headquarters staff. Textron, one of the first and a model conglomerate, has a headquarters staff totaling 135 persons for a business with an annual income of approximately two billion dollars. These central offices are responsible for overall policy, for master planning, often for large capital costs, and for fiscal controls. Second, the entire executive structure is streamlined to facilitate fast decision making on important policy issues which do require discussion with the central office. Third, operating decision making is placed at the company and/or division level, with such important responsibilities as the following assigned to the company officials: (1) local planning of the goals, programs, and alternative possibilities which are submitted along with the annual fiscal plan to the headquarters office. Objectives for the near-term and the long-term are worked out cooperatively, and these objectives are used as the basis for later evaluation through analysis and auditing; (2) the companies normally maintain their own accounting, personnel and payroll systems and records; (3) the companies do their own purchasing; and (4) they conduct their own minor construction programs within specified limits; and, finally, (5) they operate their own "production" facilities, set local standards of achievement, and establish internal procedures to achieve them.

With the increasing size and diversification of the higher educational enterprise and the strong movement toward coordination or governance by multi-institution governing boards and headquarters offices, the decentralized model of these successful companies may well serve as a pattern to be followed by legislators and boards of trustees. In addition, it may be helpful to executive offices of governors in determining desirable methods of operation for their executive agencies. The evidence over the past 50 years from these multicompanies is quite persuasive and should be very helpful in determining the levels of educational decision making, desirable distribution of essential powers, and the most effective methods to make maximum use of available resources.

Concluding Statement

Higher education, undoubtedly, represents the most unique social institution subsidized through public taxation. Simultaneously, it is the creature of the state and the critic of the state. Constantly seeking for new truths in all fields of knowledge it must question the status quo. But from this questioning and search comes the new knowledge which provides the basis for improving life for those citizens whose taxes have supported the institutions in this quest.

The determination of public policy and public expenditure levels must be made by the legislature and confirmed or rejected by the governor. Elected state government officials have both the right and the duty to make certain that

public funds are allocated effectively to meet the total needs of the people of the state and, specifically, to determine the share of the state's resources which shall be applied to higher education. After these decisions have been rendered, the funds should be administered by the legally established governing board(s) and their appointed officials. Sound administrative policy is violated when appointed officials in remote spots in the state hierarchy actually control educational policy through preaudit and withholding of approved funds or through final decision making power over the expenditure of funds. The multiplication of agencies involved in approvals of state fund expenditures makes optimum use of the state's resources more and more difficult also. This trend toward agencies checking on agencies can destroy initiative as well as waste funds - a factor which is particularly disturbing for institutions of higher education. Some signs of movement away from such increases in centralized bureaucracy appeared in this study. This is heartening because the trend for several years in many of the states has been in the other direction.

Finally, stress must be placed again on the need to define meticulously the levels of decision making. With proper distribution of authority between the various agencies and institutions, clearly understood and adhered to, higher education can continue to perform its unique functions and return in good measure the large investment citizens make in their colleges and universities from their limited resources.

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APPENDIX I

LEVELS OF DECISION FOR HIGHER EDUCATION FUNCTIONS

FUNCTION	ELEMENTS IN THE SYSTEM			
	State Government	Coordination Element	Governance Element	Institution
System Organizational Structure	Establishes broad structural arrangements. Defines role of elements	Develops detailed coordinating policies and procedures	Develops detailed governing	Participates in development of coordinating and governance
Program Allocation	Adopts broad general guidelines	Assumes major recommending and decision-making responsibility recognizing interests of governing element and institutions	Approves on basis of coordinating element recommendations and institutional capabilities and interests	Develops and executes programs
Budget Development	Very broad policy. Appropriates funds	Reviews and relates budget to entire state's needs and recommends in terms of priorities	Approves budget request with respect to justifiable needs (for own institution)	Prepares budget request
Fiscal Policies	Broad regulations, relations with other state agencies	Organizes broad policy guidelines	Approves institutional recommendations which conform to state and coordinating element broad regulations and guidelines	Executes broad policies and develops internal policies
Program Content		Approves in terms of needs of state	Approves mainly in terms of institutional capability	Proposes, develops and operates
Personnel Selection	Establishes broad policy	Coordinates among elements within state policy	Approves institutional policies and considers institutional recommendations within policies	Participates in development of policy and executes selection
Planning	Expresses state interests and needs	Articulates plans of institutions and governing elements. Executes necessary statewide plans	Expresses governing element interests and concerns. Coordinates with other elements	Maintains continuous planning program. Initiates planning of institutional program
Evaluation-Accountability	Establishes basic requirements	Coordinates among elements	Establishes basic policy	Executes policy, accepts responsibility for effective performance
Capital Programs	Very broad policy. Appropriates funds	Approves in terms of state priorities and needs	Approves in terms of institutional goals and needs	Prepares and proposes capital program and recommends priorities

American Association of State Colleges and Universities, *Institutional Rights and Responsibilities*, November 19, 1971

APPENDIX II

CARNEGIE COMMISSION RECOMMENDATIONS

DISTRIBUTION OF AUTHORITY

To achieve balance between public control and influence versus institutional independence, the Commission favors the following patterns for the distribution of authority between public agencies (including coordinating councils) and academic institutions (including multicampus systems):

PUBLIC CONTROL	INSTITUTIONAL INDEPENDENCE
Governance	
Basic responsibility for law enforcement	
Right to insist on political neutrality of **institutions** of higher education	Right to refuse oaths not required of all citizens in similar circumstances
Duty to appoint trustees of public institutions of higher education (or to select them through popular election)	Right to independent trustees: No ex officio regents with subsequent budgetary authority
	Right to nonpartisan trustees as recommended by some impartial screening agency, or as confirmed by some branch of the state legislature, or both; or as elected by the public.
Right to reports and accountability on matters of public interest	
Duty of courts to hear cases alleging denial of general rights of a citizen and of unfair procedures	
Financial and Business Affairs	
Appropriation of public funds on basis of general formulas that reflect quantity and quality of output	Assignment of all funds to specific purposes

PUBLIC CONTROL	INSTITUTIONAL INDEPENDENCE
Financial and Business Affairs	
Postaudit, rather than preaudit, of expenditures, of purchases, of personnel actions	Freedom to make expenditures within budget, to make purchases, and to take personnel actions subject only to postaudit
Examination of effective use of resources on a postaudit basis	Determination of individual work loads and of specific assignments to faculty and staff members
Standards for accounting practices and postaudit of them	
General level of salaries	Determination of specific salaries
Appropriation of public funds for buildings on basis of general formulas for building requirements	Design of buildings and assignment of space
Academic and Intellectual Affairs	
General policies on student admissions: Number of places Equality of access Academic level of general eligibility among types of institutions General distribution of students by level of division	Selection of individual students
Policies for equal access to employment for women and for members of minority groups	Academic policies for, and actual selection and promotion of, faculty members
Policies on differentiation of functions among systems of higher education and on specialization by major fields of endeavor among institutions	Approval of individual courses and course content

PUBLIC CONTROL	INSTITUTIONAL INDEPENDENCE
Academic and Intellectual Affairs	
No right to expect secret research or service from members of institutions of higher education; and no right to prior review before publication of research results; but right to patents where appropriate	Policies on and administration of research and service activities
	Determination of grades and issuance of individual degrees
	Selection of academic and administrative leadership
Enforcement of the national Bill of Rights	Policies on academic freedom
Policies on size and rate of growth of campuses	Policies on size and rate of growth of departments and schools and colleges within budgetary limitations
Establishment of new campuses and other major new endeavors, such as a medical school, and definition of scope	Academic programs for new campuses and other major new endeavors within general authorization

INFLUENCE BUT NOT PUBLIC CONTROL	INSTITUTIONAL INDEPENDENCE
Academic Affairs — Innovation	
Encouragement of innovation through inquiry, recommendation, allocation of special funds, application of general budgetary formulas, starting new institutions	Development of and detailed planning for innovation

Carnegie Commission on Higher Education, **Governance of Higher Education: Six Priority Problems**. A report with recommendation. New York: McGraw-Hill Book Company, April 1973, pp. 25-27.

APPENDIX III

AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES
ONE DUPONT CIRCLE, SUITE 700
WASHINGTON, D.C. 20036

A STUDY OF STATEWIDE COORDINATION AND ITS EFFECTS ON THE PROCEDURES OF PUBLIC POSTSECONDARY EDUCATIONAL INSTITUTIONS 1974 - 1975

This questionnaire is a basic part of the study for the American Association of State Colleges and Universities of the effects of statewide coordination of public higher educational institutions on the operating procedures of such institutions. Filling in the questionnaire should require only 30 to 40 minutes. There is a section at the end of the questionnaire containing suggested topics on which you may wish to comment at length. Anecdotal remarks concerning the benefits or detriments that have arisen as a result of statewide coordination efforts will be very helpful to the study. Answer most questions from the point of view of your individual institution.

SECTION A – INSTITUTIONAL IDENTIFICATION

_____

(Name of Institution)

_____

(Address)

_____

_____

(Name and Title of Respondent)

SECTION B – SIZE OF INSTITUTION

STUDENT ENROLLMENT FOR THE CURRENT YEAR –

1) Check one of the following intervals using the FTE upon which the budget calculations are based.

- ☐ below 1,000
- ☐ 1,000 - 2,499
- ☐ 2,500 - 3,999
- ☐ 4,000 - 5,999
- ☐ 6,000 - 7,999
- ☐ 8,000 - 9,999
- ☐ 10,000 - 11,999
- ☐ 12,000 - 14,999
- ☐ 15,000 - 19,999
- ☐ 20,000 - 24,999
- ☐ 25,000 - 29,999
- ☐ 30,000 - 34,999
- ☐ 35,000 - 39,999
- ☐ 40,000 and above

2) Check one of the following intervals using the actual "head count" of the enrolled students.

- ☐ below 1,000
- ☐ 1,000 - 2,499
- ☐ 2,500 - 3,999
- ☐ 4,000 - 5,999
- ☐ 6,000 - 7,999
- ☐ 8,000 - 9,999
- ☐ 10,000 - 11,999
- ☐ 12,000 - 14,999
- ☐ 15,000 - 19,999
- ☐ 20,000 - 24,999
- ☐ 25,000 - 29,999
- ☐ 30,000 - 34,999
- ☐ 35,000 - 39,999
- ☐ 40,000 - 44,999
- ☐ 45,000 - 49,999
- ☐ 50,000 - 54,999
- ☐ 55,000 - 59,999
- ☐ 60,000 - 64,999
- ☐ 65,000 and above

3) What % of the total student body, listed in question No. 2, is not full time?

_____

SECTION C – ADMINISTRATIVE STRUCTURE

INSTITUTIONAL GOVERNANCE AND ORGANIZATION

4) The administrative board for your institution is:

- ☐ a governing board for your institution alone.
- ☐ a governing board for two or more separate institutions, but not a statewide, all-inclusive system. (This assumes that there is an additional coordinating board.)
  How many separate institutions are included within this governance system? _____
- ☐ a statewide, all-inclusive governing board.
  (If the last one is your situation, please answer all questions about statewide coordination based on your statewide governing board being the coordinating body.)

STATEWIDE COORDINATION

5) The coordination of postsecondary educational institutions in your state is accomplished by:

- ☐ no existing body. There exists only informal channels of communication between the separate institutions.
- ☐ a coordinating body that includes some, but not all, of the public postsecondary institutions of the state in its membership. If so, what institutions are excluded?

  _____

  _____
- ☐ a coordinating body that includes all of the public postsecondary institutions of the state in its membership.

6) What is the specific name of the coordinating body of your state?

_____

7) Since 1969, has there been any change in the functioning of the statewide coordinating body of your state?

- ☐ yes, definitely.
- ☐ yes, to a limited extent.
- ☐ no.

8) If there has been a change in the functioning of the statewide coordinating body, since 1969, this change can best be described as:

- ☐ a substantial increase in influence on the separate institutions of the state.
- ☐ a mild increase in the influence on the separate institutions of the state.
- ☐ a mild decrease in influence on the institutions of the state.
- ☐ a substantial decrease in influence on the institutions of the state.

9) The statewide coordinating body of your state is classified by your institution as:

- ☐ a weak coordinating body with limited advisory powers.
- ☐ a coordinating body with advisory and approval power, with respect to the plans of the institution.
- ☐ a strong coordinating body with advisory, approval and revision powers, with respect to the plans of the institution.
- ☐ a governing body with regulatory powers over individual institutions.

10) Since 1969, has there been any change in the functioning of the Executive offices of your state government that has had an effect on the administrative procedures of your institution?

- ☐ yes, definitely.
- ☐ yes, to a limited extent.
- ☐ no.

11) If there has been a change in the functioning of the Executive offices, since 1969, which has had an influence on the administrative procedures of your institution, this change can best be described as:

- ☐ a substantial increase in influence on the separate institutions of the state.
- ☐ a mild increase in the influence on the separate institutions of the state.
- ☐ a mild decrease in influence on the institutions of the state.
- ☐ a substantial decrease in influence on the institutions of the state.

SECTION D – FINANCIAL AND BUSINESS AFFAIRS

12) Does the control pattern established by the coordinating body recognize the individual character of each of the institutions as each pursues its established functions and goals?

- ☐ yes, definitely.
- ☐ yes, to a limited extent.
- ☐ no.

13) The coordinating body for higher education controls overall planning and statewide policies (centralized policy control) while leaving local policies and executive decision making to the local institutions (decentralized operations).

☐ yes, definitely.
☐ yes, to a limited extent.
☐ no.

14) Do the members of the coordinating body "know" the character of the institutions of the state for which they have some responsibility?

☐ yes, definitely.
☐ yes, to a limited extent.
☐ no.

15) Is the coordinating body which sets policies subject, on a regular and formal basis, to evaluation of its effectiveness?

☐ yes, definitely.
☐ yes, to a limited extent.
☐ no.

16) Does the state coordinating system, as it currently exists, provide for the liberation and mobilization of human energy on the campus to meet the objectives of the institution and the needs of society?

☐ yes, definitely.
☐ yes, to a limited extent.
☐ no.

17) If statewide coordination has increased in the past three to five years, has the **process** of long-range planning been improved as a result?

☐ yes, definitely.
☐ yes, to a limited extent.
☐ no.

18) If statewide coordination has increased in the past three to five years, have statewide and institutional master plans been materially improved as a result?

☐ yes, definitely.
☐ yes, to a limited extent.
☐ no.

19) If you have any general comments with respect to efficiencies and/or inefficiencies that have resulted from the efforts of statewide coordination of higher education, please list them on an additional sheet of paper.

20) Please provide specific case examples which illustrate increased or decreased efficiency in managing your institution which have been the result of controls imposed by state agencies, legislatures, or state coordinating or governing bodies with respect to the following items:

a) funds allocation procedures
b) budgeting procedures and preauditing
c) purchasing policies, including operating supplies and materials
d) printing
e) institutional evaluation
f) salary determination
g) building programs
h) architect selection
i) personnel controls, with respect to faculty
j) staff personnel controls
k) degree programs and course offerings
l) research
m) public service activities
n) appointment of institutional leadership
o) major equipment expenditures, and
p) minor equipment expenditures.

SECTION E – GENERAL EVALUATION

21) The funds allocation procedure of the statewide coordinating body is:

☐ nonexistent. This is a function of the individual institutions.
☐ based on the use of broad, general formulas for budgeting, with specific allocation of funds left to the institution.
☐ based on the use of broad categories, within itemized budgets, with some flexibility left to the institution.
☐ based on the use of detailed, line-item budgets.

22) After the Legislative and Executive approval and allocation of budget funds, is there a subsequent budget review and appraisal function performed by some office of the Executive branch of the state government? (For example, a "preaudit" of the budget funds.)

☐ yes, with respect to all monies that are received by the institution.
☐ yes, to a limited extent, and with respect to only certain budget categories.

☐ no, this function is not performed by the Executive branch of the state government.

23) The budget review and approval function is executed by the statewide coordinating body in the following manner:

☐ no funds are preaudited by the coordinating body; that is, there is no review of budget after the governor has signed the budget allocations.
☐ part of the funds are preaudited by the coordinating body. For example, the state appropriated funds that are earmarked for the institution.
☐ most of the funds are preaudited by the coordinating body. For example, all the state appropriated funds and the auxiliary enterprise funds of the institutional budget.
☐ all funds are preaudited by the statewide coordinating body.

24) If a preaudit of funds is performed by either an Executive department or a coordinating body, is the procedure applied in a similar way to all institutions of the state?

☐ yes.
☐ no.

25) One of the typical functions of a statewide coordinating body is the formulation of policy with respect to institutional purchasing in a state. Which of the following is the procedure that has been established with respect to purchasing, for your institution?

☐ no central purchasing.
☐ central purchasing is optional, at the discretion of the institution.
☐ most purchasing is done centrally.
☐ all purchasing (except emergencies) is done centrally.

A) Have there been any limits established on institutional purchasing by the statewide coordinating body?
   ☐ yes
   ☐ no

B) If such limits have been established, please describe these limitations and how they affect your institution. (Use additional paper, please.)

C) The purchase of printing and binding services
   ☐ is done solely at the discretion of the institution.
   ☐ may be done via the Executive offices of the state government, at the option of the institution.
   ☐ must be done almost totally through the Executive offices of the state government.

26) Are any of the major universities of your state omitted from the system of central purchasing?

☐ yes.
☐ no.

27) The establishment of standards for use in evaluating an institution's resource allocation and utilization is done in your state by:

☐ the legislature.
☐ the legislature, with recommendations from the coordinating body.
☐ the coordinating body.
☐ the coordinating body with vital input from the institutions of the state.
☐ the individual institution, which establishes its own internal standards.

28) The actual evaluation of an institution's resource utilization is done by:

☐ the legislature.
☐ the legislature, with recommendations from the coordinating body.
☐ the coordinating body.
☐ the coordinating body, with vital input from the institutions of the state.
☐ the management of the institution which establishes its own internal standards and procedures for review.

29) An evaluation of each institution's resource allocation and resource utilization is performed by the Executive offices of the state government.

☐ yes. (If so, what agency? _____)
☐ no.

30) With respect to the determination of salaries, the coordinating body:

☐ has no policy. This function is left to the discretion of the individual institution.
☐ sets the general salary levels, while the determination of specific salaries is left to the institution.
☐ approves specific salaries, upon recommendation by the institution.
☐ sets the specific salaries of individuals.

31) The selection of architects for the planning and construction supervision of buildings is directly approved by the Executive offices of the state government.

☐ yes. (If so, which office or agency? _____)
☐ no.

32) The planning for and construction of buildings is directly approved by the Executive offices of the state government.

☐ yes.
☐ no.

33) Capital expenditures for buildings are administered by the coordinating body in which of the following ways?

☐ the coordinating body has no policy for administering capital expenditures.
☐ the coordinating body makes use of general formulas for determining building needs, while the planning and construction of buildings is left to the institution.
☐ the coordinating body acts on the approved plans of the institution, as the building needs arise.
☐ the coordinating body does the planning and construction of the buildings of the institution, as deemed feasible by the coordinating body.
☐ the coordinating body owns the buildings and authorizes their usage by the institution.

34) Capital expenditures for major equipment are administered by the coordinating body in which of the following ways?

☐ the coordinating body has no policy for administering capital expenditures.
☐ the coordinating body makes use of general formulas for determining equipment needs, while the selection and purchase of such equipment is left to the institution.
☐ the coordinating body does the selection and purchase of the equipment for the institution, as deemed feasible by the coordinating body.
☐ the coordinating body owns the major equipment and authorizes its usage by the institution.

35) Are the capital expenditures for major equipment directly approved by the Executive offices of the state government?

☐ yes. (If so, which office? _____)
☐ no.

36) Are the capital expenditures for minor equipment directly approved by the Executive offices of the state government?

☐ yes. (If so, which office? _____)
☐ no.

37) Capital expenditures for minor equipment are administered by the coordinating body of your state in which of the following ways?

☐ the coordinating body has no policy for administering capital expenditures.
☐ the coordinating body makes use of general formulas for determining equipment needs, while the selection and purchase of such equipment is left to the institution.
☐ the coordinating body does the selection and purchasing of such equipment, as deemed feasible by the coordinating body.
☐ the coordinating body owns the equipment and authorizes its usage by the institution.

SECTION F – ACADEMIC AFFAIRS

38) The formulation of policies with respect to student admissions is done by:

☐ the statewide coordination body.
☐ the statewide coordination body, with advice and recommendations from the individual institution.
☐ the individual institution.

39) The formulation of policies with respect to tuition, fees, and financial aid is done by:

☐ the statewide coordination body.
☐ the statewide coordination body, with advice and recommendations from the individual institution.
☐ the individual institution.

40) The formulation of policies with respect to scholastic levels for retention and granting of degrees is done by:

☐ the statewide coordination body.
☐ the statewide coordination body, with advice and recommendations from the individual institution.
☐ the individual institution.

41) Is student recruitment and selection controlled by the institution?

☐ yes.
☐ no.

42) The policies for selection, promotion and tenure of faculty are established by:

☐ the legislature.
☐ the legislature, with recommendations from the coordinating body.
☐ the coordinating body.
☐ the coordinating body, with vital input from the individual institution.
☐ the individual institution.

43) The personnel controls imposed by the statewide coordinating body are:

- ☐ nonexistent. This matter is left to the individual institutions.
- ☐ partial control of nonacademic personnel only.
- ☐ extensive control of nonacademic personnel only.
- ☐ control of both academic and nonacademic personnel.

44) The personnel controls imposed by the state executive offices are:

- ☐ nonexistent. This matter is left to the individual institutions.
- ☐ partial control of nonacademic personnel only.
- ☐ extensive control of nonacademic personnel only.
- ☐ control of both academic and nonacademic personnel.

45) Are any of the major universities of your state excluded from any personnel controls that have been established by the statewide coordinating body?

- ☐ yes. (If so, which: _____)
- ☐ no.

46) Are the major universities of your state excluded from any personnel controls that have been established by the state executive offices?

- ☐ yes. (If so, which: _____)
- ☐ no.

47) The academic programs, including specific courses, are:

- ☐ coordinated and approved by the statewide coordinating body.
- ☐ coordinated and approved by the statewide coordinating body except for changes within courses.
- ☐ coordinated via suggestions from the statewide coordinating body, but the individual courses are determined by the individual institutions.
- ☐ inaugurated without external control or approval, at the discretion of the institution, and reported to the coordinating body.

48) The policy, with respect to research, at your institution is as follows:

- ☐ selection and emphasis on research topics is left to the discretion of the individual faculty members.
- ☐ selection and emphasis on research topics is left to the discretion of the individual faculty members, with institutional review and approval of research proposals.
- ☐ emphasis on institutionally established, priority topics.
- ☐ emphasis on state and federally promoted research topics as suggested by the statewide coordinating body.

49) The policies pertaining to the growth and to the rate of growth of an institution or campus are established by:

- ☐ the legislature.
- ☐ the legislature, with recommendations from the coordinating body.
- ☐ the coordinating body.
- ☐ the coordinating body, with vital input from the institutions of the state.
- ☐ the individual institutions.

50) The policies pertaining to the growth and to the rate of growth of any subdivision, such as a branch campus or even a department, of an institution are established by:

- ☐ the legislature.
- ☐ the legislature, with recommendations from the coordinating body.
- ☐ the coordinating body.
- ☐ the coordinating body, with vital input from the institutions of the state.
- ☐ the individual institutions.

51) The selection of academic and administrative leadership for your institution is accomplished by:

- ☐ the statewide coordinating body.
- ☐ the coordinating body, with recommendations from the institution.
- ☐ the individual institution.

FIG. 1

RELATIVE PERCENT OF INSTITUTIONS ADMINISTRATIVELY GOVERNED BY A STATEWIDE, ALL-INCLUSIVE BOARD

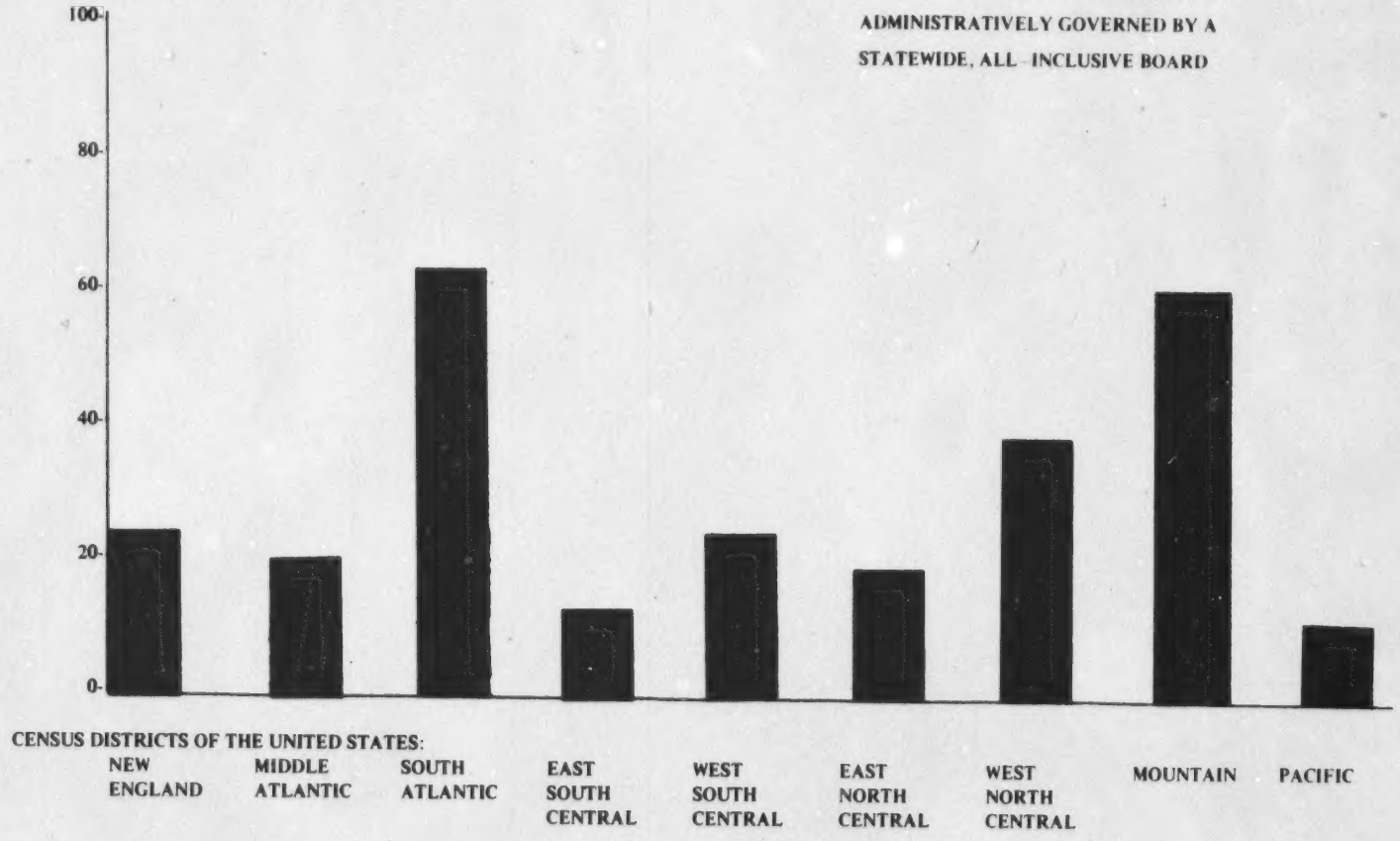

FIG. 2

PERCENT OF INSTITUTIONS PERCEIVING DEFINITE CHANGES IN FUNCTIONS OF THE STATEWIDE COORDINATING BODY

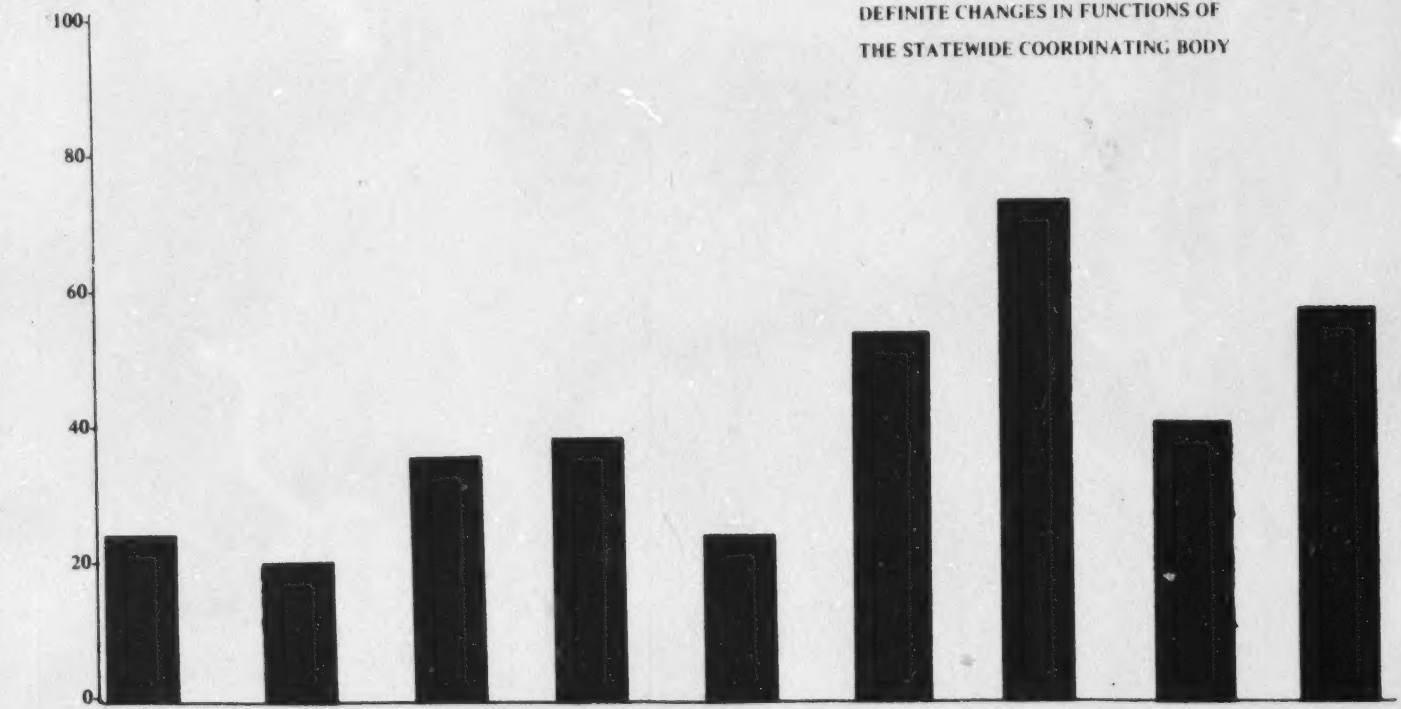

FIG. 3

INSTITUTIONS REPORTING A DEFINITE IMPROVEMENT IN LONG-RANGE PLANNING RESULTING FROM INCREASED STATEWIDE COORDINATION

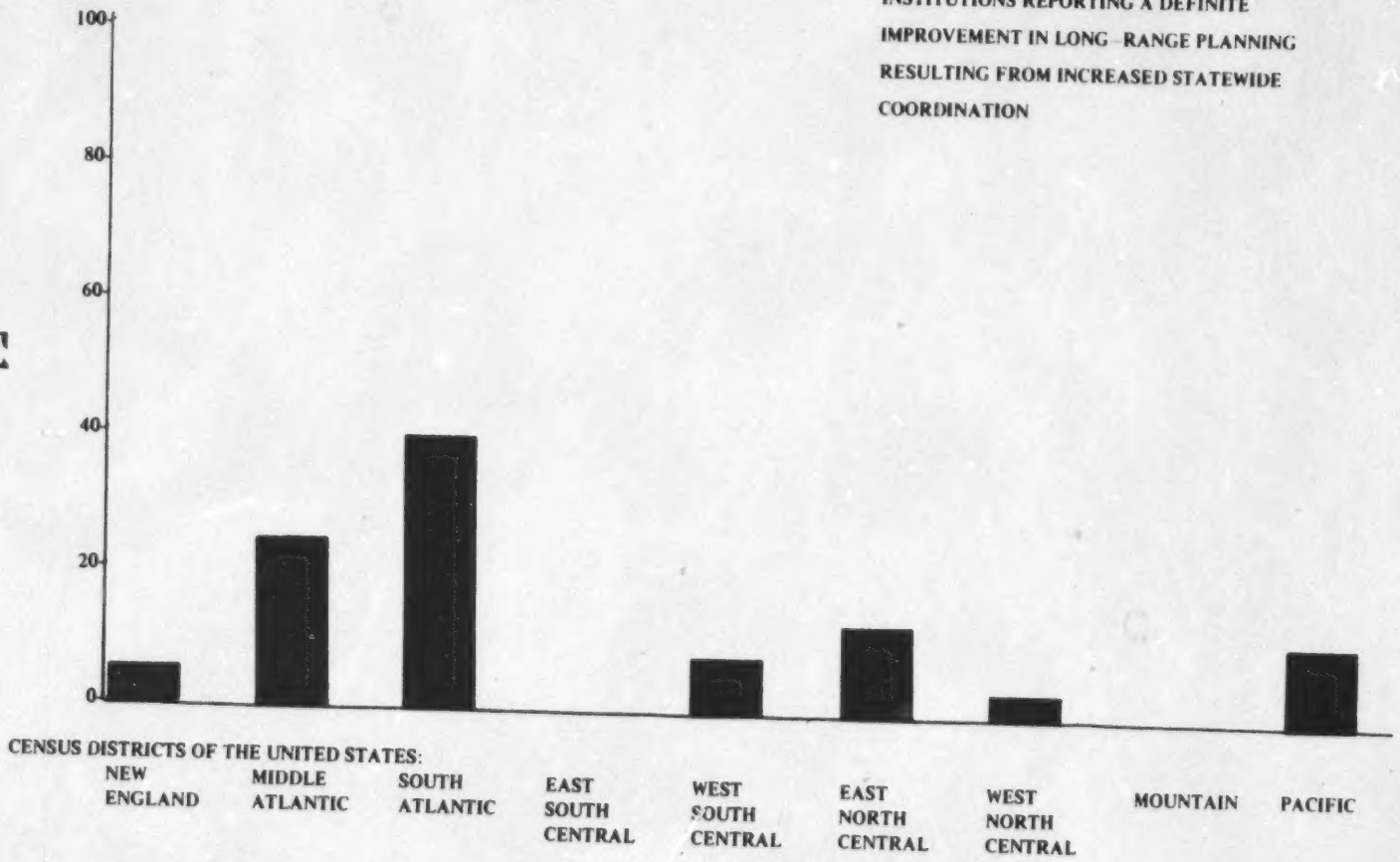

FIG. 4

INSTITUTIONS REPORTING NONEXISTENCE OF A PREAUDIT OF BUDGET FUNDS BY THE STATEWIDE COORDINATING BODY

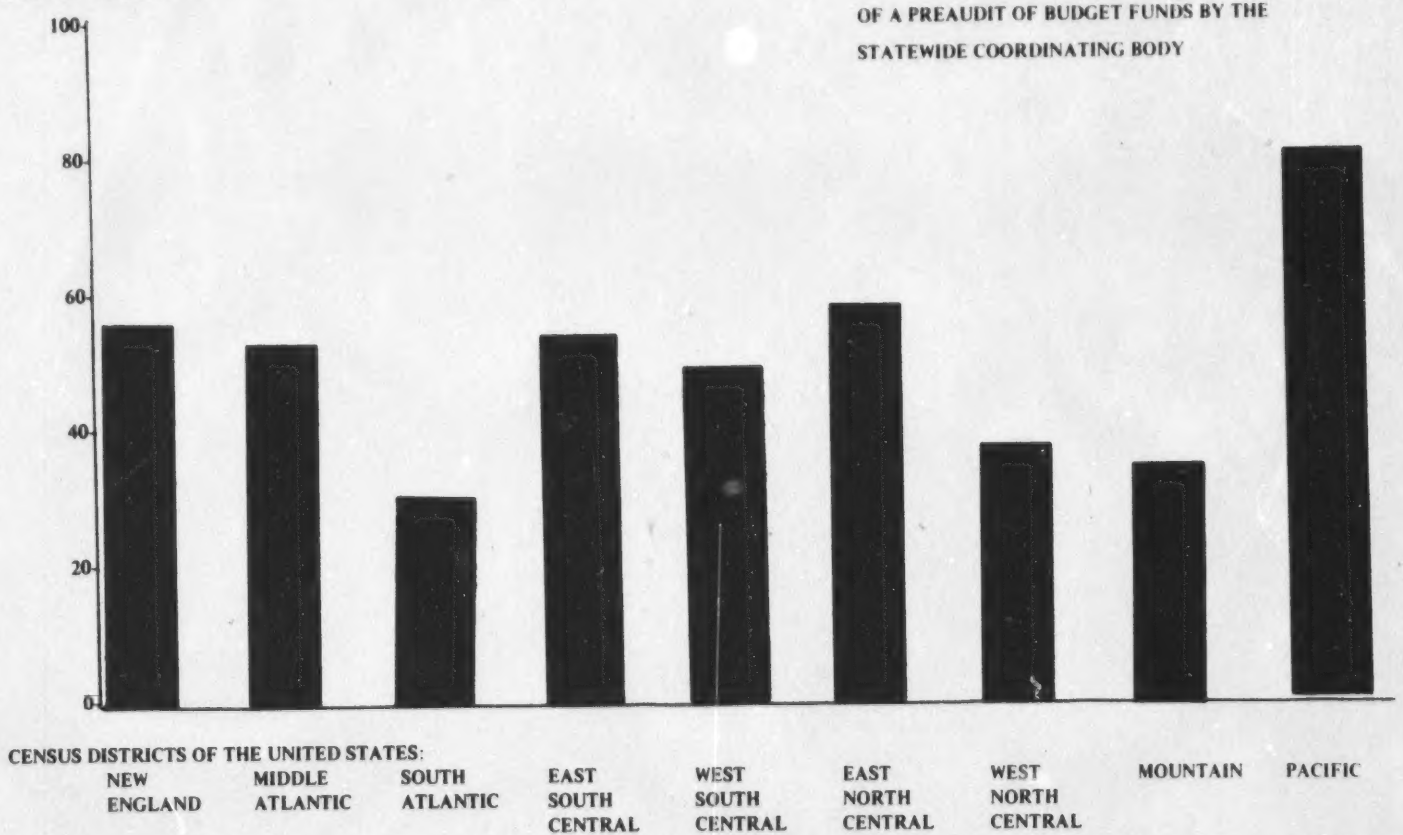

FIG. 5

INSTITUTIONS REPORTING NONEXISTENCE OF A PREAUDIT OF BUDGET FUNDS BY THE STATE EXECUTIVE OFFICES